



UNITED STATES DEPARTMENT OF EDUCATION
OFFICE OF INSPECTOR GENERAL
1999 BRYAN STREET, HARWOOD CENTER, SUITE 2630
DALLAS, TEXAS 75201-6817
PHONE: (214) 880-3031 FAX: (214) 880-2492



FEB 11 2004

Mr. Dennis Silas, Superintendent
Drew School District
286 West Park Avenue
Drew, MS 38737-3347

Dear Mr. Silas:

This **Final Audit Report** (ED-OIG/A06-D0017) presents the results of our audit of the 21st Century Community Learning Centers (21st Century) grant to Project ASCEND (After School and Community Enrichment for a New Direction) for the period June 1, 2001, through March 31, 2003. Our objective was to determine whether Project ASCEND properly accounted for and used 21st Century grant funds in accordance with the Elementary and Secondary Education Act of 1965 (ESEA), as amended by the Improving America's Schools Act of 1994; Education Department General Administration Regulations (EDGAR); grant terms; and the cost principles in Office of Management and Budget (OMB) Circular A-87.

We provided a draft of this report to Project ASCEND. In its response to our draft report, Project ASCEND officials provided additional support and we reduced the amount of unallowable costs to \$100,291 and the unsupported costs to \$147,386. We have summarized Project ASCEND's comments in the body of the report and have included the response as Attachment B.

BACKGROUND

Title X, Part I, of the ESEA, as amended, authorizes the 21st Century program. The program awards three-year grants that provide funds to rural and inner city schools or consortia of schools to enable them to plan, implement, or expand projects that benefit the educational, health, social service, cultural, and recreational needs of the community. The program, funded at nearly \$846 million for fiscal year 2001, enables schools to stay open longer and set up community learning centers.

A community learning center is an entity within a public elementary or secondary school building that provides educational, recreational, health, and social service programs for residents of all ages within a local community and a local educational agency operates the community

learning center in conjunction with local governmental agencies, businesses, vocational educational programs, institutions of higher education, community colleges, and cultural, recreational, and other community and human service entities. The center must include no less than 4 of the 13 activities listed in Title X, Part I, Section 10905 of the ESEA, as amended. The local educational agency is encouraged to use the funds to accomplish activities that offer significant expanded learning opportunities for children and the community members in a safe and supervised environment before and after school. The programs may support health needs, literacy education, children's day care services, and telecommunications and technology education for individuals of all ages.

The Department of Education awarded Project ASCEND a 21st Century grant totaling \$2,820,780. The award amounts, by budget period, were—

June 1, 2001 - May 31, 2002	\$ 985,020
June 1, 2002 - May 31, 2003	\$ 915,337
June 1, 2003 - May 31, 2004	<u>\$ 920,423</u>
Total	\$2,820,780

Project ASCEND includes seven sites in three school districts in two counties in Mississippi, Sunflower County and Montgomery County. Drew School District has the fiduciary responsibilities for the grant; however, each individual school district is responsible for documenting and accounting for their own expenditures.

In its first two years of operation, Project ASCEND's programs included after school, summer school, General Educational Development (GED), adult computer class, art classes, and drug-free and gang seminars.

AUDIT RESULTS

Project ASCEND did not properly account for and use 21st Century grant funds in accordance with all applicable regulations, grant terms, and cost principles. Project ASCEND charged the grant for unallowable costs (\$100,291) and costs for which it did not maintain adequate support (\$147,386). The unallowable amount consists of charges for payments to a contractor for professional services that were contingent upon the school districts receiving the grant (the scheduled payments to the contractor totaled \$169,247 of which \$100,291 was paid during the first two years of the grant). The unsupported amount consists of charges for payroll (\$126,669), fringe benefits (\$19,211), and general expenses (\$1,506) for which Project ASCEND did not provide adequate documentation that the costs were reasonable, allowable, and allocable.

OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, Attachment A, Paragraph C.1 (1997) provides that—

To be allowable under Federal awards, costs must . . . Be necessary and reasonable for proper and efficient performance and administration of Federal awards . . . Be allocable to Federal awards . . . Be adequately documented.

We concluded that this condition occurred because the three school districts did not establish a formal system of management controls, policies, procedures, and practices to consistently administer Project ASCEND's 21st Century grant. The schools used informal procedures to document "hand written" vendor transactions and did not develop a personnel distribution system. Details of the unallowable and unsupported costs are discussed in Attachment A.

RECOMMENDATIONS

We recommend that the Assistant Secretary for Elementary and Secondary Education instruct Project ASCEND to—

1. Refund to the Department of Education unallowable costs of \$100,291;
2. Not claim \$68,956 for unallowable costs for contracted professional services; and
3. Provide sufficient documentation to support \$147,386 or refund that amount to the Department of Education.

PROJECT ASCEND'S COMMENTS TO THE DRAFT REPORT

Project ASCEND provided additional documentation to support the unsupported costs identified in the draft report. Project ASCEND's comments included comments from each of the school districts in the consortium.

Drew School District provided activities logs for Project ASCEND's director that were kept on her computer monthly and submitted unsigned. The logs were subsequently signed and dated. In addition, Drew submitted documentation for the following unsupported costs: mileage sheets as support for the unsupported transportation costs of \$5,516, hotel receipts and a travel reimbursement request for unsupported travel costs of \$1,908, a copy of a check from the Director for a reimbursement that was "inadvertently" paid twice for unallowable travel costs of \$129, and various documentation to support the unsupported general expenses of \$1,506.

Montgomery County School District did not provide any additional documentation but they did state that they changed how they document time for employees working from different funding sources.

Sunflower County School District did not provide any additional documentation but did provide an affirmation "that the hours worked by the employees were correctly paid."

Regarding the unallowable contract cost of \$100,291, Project ASCEND stated the grant writer drew up his standard contract and that Project ASCEND officials were unaware that the contract was illegal. Project ASCEND also stated that if they had known there was a problem with the contract, they would not have signed it.

OIG'S RESPONSE

After reviewing Project ASCEND's response, we reduced the amount of unsupported costs by \$7,424 and unallowable costs by \$129. We accepted the following documentation as adequate support: mileage sheets as support for the unsupported transportation costs of \$5,516, hotel receipts and travel reimbursement request for unsupported travel costs of \$1,908, and a copy of a check from the Director for a reimbursement that was "inadvertently" paid twice for unallowable travel cost of \$129. We made adjustments to the figures in this report.

With regards to the payroll and fringe benefits, we did not make any changes to our unsupported costs or recommendations. All documentation and affirmations were made after our audit period and fieldwork had ended, and these documents need to be evaluated by the Office of the Chief Financial Officer. In addition, we did not make any changes to the unallowable contract costs.

OBJECTIVE, SCOPE, AND METHODOLOGY

The objective of our audit was to determine whether Project ASCEND properly accounted for and used 21st Century grant funds from June 1, 2001, through March 31, 2003, in accordance with the ESEA, as amended; EDGAR; grant terms; and the cost principles in OMB Circular A-87, effective August 29, 1997. We expanded our scope to include the unallowable contract costs that were outside of our audit period.

To accomplish our objective, we—

- Reviewed the financial statement and OMB Circular A-133 audit report for the year ended June 30, 2002;
- Reviewed Project ASCEND's 21st Century grant application and budget narrative;
- Reviewed Project ASCEND's Grant Performance Reports;
- Reviewed Drew School District and Montgomery County Board Minutes for meetings from April 2001 through March 2003;
- Reviewed written policies and procedures for budgeting, accounting, procurement, payroll, and fringe benefits for the 21st Century grants;
- Judgmentally selected and reviewed 4 of 20 pay periods and all the associated payroll transactions. We selected months that were: (1) near the beginning or end of our audit period; (2) during the summer program; or (3) during winter break;
- Judgmentally selected and reviewed purchase orders, invoices, cancelled checks, receipts, and other supporting documents for 163 transactions from a universe of 563 transactions.

The reviewed transactions account for 69 percent of the total dollars expended to vendors. They were selected based on the type of service provided without regard to dollar value; and

- Interviewed various Project ASCEND employees, and Department of Education officials.

To achieve our audit objective, we relied, in part, on computer-processed data related to the 21st Century program contained in Drew School District, Sunflower County School District, and Montgomery County School District accounting systems. We verified the completeness of the data by comparing source records to computer-generated data, and verified the authenticity by comparing computer-generated data to source documents. Based on these tests, we concluded that the data were sufficiently reliable to be used in meeting the audit's objective.

We conducted our fieldwork at Project ASCEND's three business office locations in the Drew, Sunflower County, and Montgomery County School Districts between April 28, 2003, and May 29, 2003. We discussed the results of our audit with Project ASCEND officials at the three locations on May 6, May 8, and May 29, 2003, respectively. An exit conference was held with Project ASCEND officials on August 18, 2003.

Our audit was performed in accordance with generally accepted government auditing standards appropriate to the scope of audit described above.

STATEMENT ON MANAGEMENT CONTROLS

As part of our review, we relied on substantive testing of costs charged to the 21st Century grant to test management controls. Our testing disclosed instances of non-compliance with federal regulations, grant terms, and cost principles that led us to conclude that weaknesses existed in Project ASCEND's controls over the 21st Century grant. These weaknesses and their effects are discussed in the AUDIT RESULTS section of this report.

ADMINISTRATIVE MATTERS

Statements that managerial practices need improvements, as well as other conclusions and recommendations in this report represent the opinions of the Office of Inspector General. Determinations of corrective action to be taken will be made by the appropriate Department of Education officials.

If you have any additional comments or information that you believe may have a bearing on the resolution of this audit, you should send them directly to the following Education Department officials, who will consider them before taking final Departmental action on the audit:

Jack Martin
Chief Financial Officer
Office of the Chief Financial Officer
400 Maryland Avenue, SW, Room 4E313
Washington, DC 20202

Raymond Simon
Assistant Secretary for Elementary and Secondary Education
U.S. Department of Education
Federal Building No. 6, Room 3W315
400 Maryland Avenue, SW
Washington, DC 20202

It is the policy of the U.S. Department of Education to expedite the resolution of audits by initiating timely action on the findings and recommendations contained therein. Therefore, receipt of your comments within 30 days would be greatly appreciated.

In accordance with Freedom of Information Act (5U.S.C §552), reports issued by the Office of Inspector General are available, if requested, to members of the press and general public to the extent information contained therein is not subject to exemptions in the Act.

Sincerely,

/Signed/

Sherri L. Demmel
Regional Inspector General
for Audit

Attachments

**PROJECT ASCEND
21st CENTURY COMMUNITY LEARNING CENTER GRANT
SCHEDULE OF UNSUPPORTED AND UNALLOWABLE COSTS
JUNE 1, 2001, THROUGH MARCH 31, 2003**

Cost Category	Unsupported Costs	Notes	Unallowable Costs	Notes
Payroll	126,669	(1)	0	
Fringe Benefits	19,211	(2)	0	
Transportation	0		0	
Travel/Meetings	0		0	
General Expenses	1,506	(3)	0	
Contracts	0		*100,291	(4)
Totals	\$147,386		\$100,291	

* The contract for grant writing services was for \$169,247. Project ASCEND paid \$100,291 during the first two years of the grant.

Notes:

- (1) Represents payroll charges (\$126,669) not supported by personnel activity reports or equivalent documentation that meet the required standards. *OMB Circular A-87, Attachment B, Paragraph 11.h (4)(a)* (1997) states, "Where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation which meets the standards in subsection (5).... Such documentary support will be required where employees work on: (a) More than one Federal award." In addition, *OMB Circular A-87, Attachment B, Paragraph 11.h (5)* (1997) states that, "Personnel activity reports or equivalent documentation must...account for the total activity for which each employee is compensated...and must be signed by the employee...." Therefore, these costs are questioned.
- (2) Represents the fringe benefits (\$19,211) related to the salaries not supported by personnel activity reports or equivalent documentation that meet the required standards. *OMB Circular A-87, Attachment B, Paragraph 11.d (5)* (1997) states, "[Fringe] benefits . . . shall be allocated to Federal awards . . . in a manner consistent with the pattern of benefits attributable to the individuals or group(s) of employees whose salaries and wages are chargeable . . ." Because the salary of these employees are questioned, the related fringe benefits are questioned.

ATTACHMENT A

- (3) Represents general expenses from “hand written” check transactions (\$1,506) that Project ASCEND could not substantiate. According to *OMB Circular A-87, Attachment A, Paragraph C, Subparagraph 1.j.* (1997), to be allowable, costs must be adequately documented.
- (4) Represents the contractual expenditures for grant writing services (\$100,291). *OMB Circular A-87, Attachment B, Paragraph C, Subparagraph 33 (a)* (1997) states, “Cost of professional and consultant services rendered by persons or organizations that are members of a particular profession or possess a special skill, whether or not officers or employees of the governmental unit, are allowable, subject to section 14 when reasonable in relation to the services rendered and when not contingent upon recovery of the costs from the Federal Government.” The contract between the grant writer and Project ASCEND called for payment of six percent of the total grant or \$169,247. Because payment was contingent upon Project ASCEND receiving the grant, the contract payments are not allowed. Project ASCEND has paid \$100,291 of the contracted amount.

Drew School District

ATTACHMENT B

SUPERINTENDENT

James C. Edwards
662-745-6657
662-745-6658
FAX: 662-745-6630

OFFICE OF SUPERINTENDENT

286 WEST PARK AVENUE
Drew, Mississippi 38737

BOARD OF TRUSTEES

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Jim Harmon
Stanley L. Robinson
Tom Davis

November 21, 2003

Sherri L. Demmel
Regional Inspector General for Audit
U. S. Department of Education
Office of Inspector General
1999 Bryan Street, Suite 2630
Dallas, TX 75201-6817

Dear Ms. Demmel:

We have received a copy of the Draft Audit Report of the findings of the audit conducted by the U. S. Department of Education, Office of the Inspector General of the 21st Century Community Learning Centers (21st Century) Grant to Project ASCEND (After School and Community Enrichment for a New Direction) for the period June 1, 2001 through March 31, 2003. The findings had some costs that were classified as unsupported and unallowed. The District would like to address these issues.

We had attempted to contact the auditor who conducted the audit since the receipt of the draft to obtain clarification on some points and had been unsuccessful until yesterday. She had been in the field conducting audits. She has provided insight as to the breakdown of the questioned costs. After speaking with the auditor, we realize that some of the unsupported costs are costs incurred by Sunflower County and Montgomery County School Districts. Therefore, we are requesting a two week extension to allow the other districts time to address their issues. Their offices will be closed the week of Thanksgiving.

We are providing the following documents to support the questioned costs:

Personnel w/Fringe Benefits:

\$145,880

Edit had kept activity logs on her computer monthly and submitted them unsigned. Subsequently, **Edit** has signed the logs and dated them today. **Edit** FY02 salary was \$42,215 and her FY03 salary was \$52,036.

Transportation:

\$5,516

Enclosed are copies of mileage sheets for the time period submitted to the Drew School District Business Office by the Transportation Supervisor. One month's form is not titled correctly, but the data contained on the form is the correct data. A letter from the Transportation Supervisor certifying this is enclosed. The reimbursement rate is \$2.00 per mile. (659+747+687+665 x \$2 = \$5516)

ATTACHMENT B

Travel:

\$1908

\$1814.85 - Orlando Marriot: Enclosed are copies of the receipts from the hotel, and the receipt for the refund from the transaction. There were three rooms. The total of the rooms was \$1,088.91. Each room was \$362.97.

\$93.60 - Edit Copy of check #3078 for \$425.16 with copies of travel reimbursement requests and invoices.

\$129

Edit was inadvertently reimbursed twice for the same travel request. She has subsequently refunded the \$129. A copy of her check and the receipt for the check are enclosed.

General Expenses:

\$1,506

\$232.00 - Pizza Hut: Handwritten receipt from Pizza Hut manager with store's stamp. Local Pizza Hut does not have stationery.

\$79.60 - Burger King: Check #3369

\$79.60 - Burger King: Check # 3370

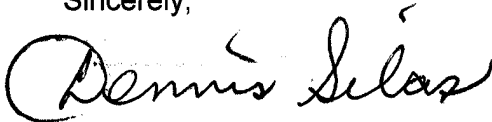
Invoice #110713 from Noble Food Service, Inc., the owner of the local Burger King restaurant.

Contracts:

\$100,291

The contract in question is with Edit Edit came highly recommended as a grant writer and has an excellent reputation. He drew up his standard contract and we were unaware that this contract was illegal. Had we any idea that there was a problem with the contract, we would have never signed it.

Sincerely,



Dennis Silas
Superintendent

Drew School District

ATTACHMENT B

SUPERINTENDENT

Dennis Silas
662-745-6657
662-745-6658
FAX: 662-745-6630

OFFICE OF SUPERINTENDENT

286 WEST PARK AVENUE
Drew, Mississippi 38737

BOARD OF TRUSTEES

John Q. West, President
Sheryl Nelson
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Stanley L. Robinson
Tom Davis

December 15, 2003

Sherri L. Demmel
Regional Inspector General for Audit
U. S. Department of Education
Office of Inspector General
1999 Bryan Street, Suite 2630
Dallas, TX 75201-6817

Dear Ms. Demmel:

Thank you for granting us the two-week extension to address some issues found in the audit conducted by the U. S. Department of Education, Office of the Inspector General of the 21st Century Community Learning Centers (21st Century) Grant to Project ASCEND (After School and Community Enrichment for a New Direction) for the period June 1, 2001 through March 31, 2003. We are providing the following documents to support the questioned costs:

Personnel w/Fringe Benefits:

Enclosed are letters from the superintendents from Sunflower County Schools and Montgomery County Schools.

General Expenses:

\$232.00 - Pizza Hut: Handwritten receipt from Pizza Hut Manager, Edit , with store's stamp. Local Pizza Hut does not have stationery.

\$79.60 - Burger King: Check #3369

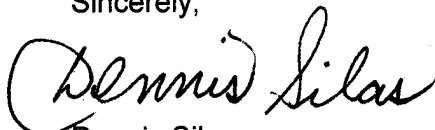
\$79.60 - Burger King: Check # 3370

Invoice #110713 from Noble Food Service, Inc., the owner of the local Burger King restaurant.

\$184.24 - The payee for this check was actually Western Sizzlin. The PO was mistakenly coded as Inverness Elementary School. Enclosed is a copy of the check to Western Sizzlin, a copy of the PO, and the receipt from Western Sizzlin.

\$535.37 - SuperValu: Enclosed is a copy of the PO and copies of receipts from SuperValu.

Sincerely,



Dennis Silas
Superintendent

ATTACHMENT B

Carolyn Swanson

SUPERINTENDENT OF EDUCATION, MONTGOMERY COUNTY

P.O. Box 687
WINONA, MISSISSIPPI 38967
Telephone: 662-283-4533
FAX: 662-283-4584

December 15, 2003

To: Devoyce Morris
From: Carolyn Swanson
Re: 21st Century

Based on the email from Edit on December 15, 2003, Montgomery County School District has provided the information below to resolve the working time issue concerning:

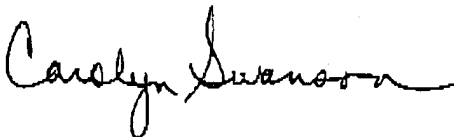
Edit - November 2001 thru March 2003
Edit - June and December 2002, March 2003
Edit - June and December 2002, March 2003
Edit - June and December 2002, March 2003

Prior to September 04, 2003, employees would clock-in each morning and clock out when they left at 5:30 P.M. each afternoon. All employees being paid from different funding sources are required to clock out at 3:30 P.M. and clock back in at 3:32 P.M. This will provide documentation for payment from different funding sources.

21st Century Coordinators are required to document at what times they were working for Title I, 21st Century, etc. to differentiate the funding sources for payment.

Student workers will be required to sign their time sheets each day or at the end of a pay period. At the bottom of each time sheet is a statement informing students they are paid for 1 hour of work and 1 hour is volunteer.

If I can be of further assistance, please contact me a 662-283-4533.



Carolyn Swanson
Superintendent

ATTACHMENT B

Sunflower County School District

THOMAS EDWARDS, SUPT.
P.O. BOX 70
INDIANOLA, MISSISSIPPI 38751

TELEPHONE (662) 887-4919

FAX (662) 887-7051

December 9, 2003

Ms. Sherri L. Demmel
Regional Inspector General for Audi
U. S. Department of Education
Office of Inspector General
1999 Bryan Street, Suite 2630
Dallas, Texas 75201-6817

Dear Ms. Demmel:

In reference to the Project ASCEND 21ST Century Community Learning Centers program grant audit, I affirm that the hours worked by the employees were correctly paid.

If you have questions or need additional information, please contact me at (662) 887-4919.

Sincerely,



Thomas Edwards
Superintendent of Education

cc: Mr. Dennis Silas, Superintendent
Drew School District